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No. 08-179

Supreme Court, U.S.
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In The
Supreme Court of the United States

ECHOSTAR COMMUNICATIONS CORPORATION, ET AL.,

Petitioners,

v.

TIVO, INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

REPLY BRIEF FOR PETITIONERS

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REPLY BRIEF FOR PETITIONERS

A. The Federal Circuit Did Adopt A Categorical Rule—It Is A Patent-Specific Evidentiary Rule That Departs From The Standards Set Forth In The Federal Rules Of Evidence

1. Respondent is wrong in its claim that the Federal Circuit did not "adopt any 'categorical'" rule when it precluded petitioners from introducing critical and otherwise admissible expert testimony. Br. in Opp. 5. The Federal Circuit explicitly held that what an expert in a patent infringement case "must" do is "[compare] the construed claims to the prior art." Pet. App. 44a-45a (quoting *Helfix, Ltd. v. Blok-Lok, Ltd.*, 208 F.3d 1339, 1346 (Fed. Cir. 2000)). Based on that rule of law, the court of appeals then held that there was no error when petitioner's expert was "*prohibited* from testifying about how the prior art related to [respondent's infringement expert's] view of the claims." Pet. App. 45a (emphasis added) (internal quotation marks omitted). This ruling categorically restricts expert witness testimony in patent infringement cases to a narrow issue, and excludes otherwise admissible evidence.

Respondent's only response to this unequivocal holding is its weak contention that the Federal Circuit was "merely describ[ing] the district court's ruling on the issue" in this aspect of its opinion. Br. in Opp. 6. But that is not so. The court of appeals' decision states a clear legal rule—what the "expert must compare" in his testimony, Pet. App. 45a—and

then describes what specifically an expert is "allowed" to and "prohibited" from testifying about under that rule, *ibid.*

Moreover, even the most cursory review of the ruling below demonstrates that the court of appeals recitation of the district court's ruling is set forth in the immediately *preceding* paragraph, which is the first paragraph in part IV of the opinion (Pet. App. 44a) and not in the next paragraph of that part that respondent cites as merely descriptive (Br. in Opp. 6), which is, in fact, the court's holding (Pet. App. 44a-45a).[1] Of course, the Federal Circuit also noted that it "agree[d]" with the district court's rule (first paragraph of part IV) that an expert witness "should be limited to the Court's claim construction and the prior art, not the criticism of [the other side's witness's] report or previous testimony." *Id.* at 44a.[2]

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[1] Respondent *concedes* as much elsewhere in its brief, noting that while the "first paragraph describes EchoStar's argument and the district court ruling," "the second explains why" the Federal Circuit held that ruling was not wrong. Br. in Opp. 2.

[2] In its attempt to evade the ruling below, respondent repeatedly clings to the Federal Circuit's single reference to the "abuse of discretion" standard, as if *that* demonstrates that no categorical rule was adopted. Br. in Opp. i, 2, 5 (referring to the standard of review four times). But the court of appeals' unremarkable reference to the abuse of discretion standard merely reflects the standard of review to which *every* district court evidentiary ruling is subjected. *General Elec. Co. v. Joiner*, 522 U.S. 136, 141 (1997). And, while that standard affords deference to the district court, it is well settled that an error

(Continued on following page)

2. Respondent's argument that the Federal Circuit adopted no categorical rule also is belied by the great lengths to which respondent goes to defend it. Br. in Opp. 7-13.

Respondent contends that *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), justifies the ruling below because *Markman* makes petitioners' proffered expert testimony inadmissible. Respondent is wrong for two reasons. And respondent's contrary arguments only demonstrate the need for this Court's review.

First, as discussed below (Part C *infra*), petitioners' argument is not "a thinly disguised assault on *Markman*'s holding." Br. in Opp. 8. It is well settled that overly precise claim construction orders invade the providence of the trier of fact. *see* 5A Donald S. Chisum, *Chisum on Patents: A Treatise on the Law of Patentability, Validity and Infringement* § 18.03[1][b], at 18-93 to 18-94 (2007), and, thus, a jury must have some latitude when it applies the trial court's interpretation of the claims and decides the ultimate questions of infringement and invalidity. *See also* Pet. 32. But that latitude cannot be exploited to permit a patent plaintiff to twist the claims to both avoid anticipation and to capture infringement. *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239

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of law, such as the application of a categorical rule of inadmissibility, is an abuse of discretion. *Zervos v. Verizon New York, Inc.*, 252 F.3d 163, 168-169 (2d Cir. 2001).

F.3d 1343, 1351 (Fed. Cir. 2001); *see also Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 727 (2002).

Indeed, in the instant case, the excluded expert testimony that petitioners sought to introduce conclusively demonstrated that the applications by respondent's experts of the '389 patent claims were contradictory with respect to infringement and invalidity, notwithstanding the fact that their experts' applications of the claims to the accused device or prior art, when viewed independently, might both be consistent with the district court's claim construction order.[3]

Second, respondent makes no effort to reconcile its argument with this Court's holding in *Daubert v.*

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[3] Rather than address the inconsistency in its opposition to *certiorari*, respondent asserts that petitioners' expert could not have testified as to the inconsistency in the testimony of TiVo's experts because "Dr. Polish testified *before* Dr. Storer did * * * so * * * Dr. Polish could not have testified about 'contradictions' between Dr. Storer's testimony and Dr. Gibson's." Br. in Opp. 4-5 n.3. That simply is not the case. Petitioners knew of the inconsistency before trial—from depositions and expert disclosures. Petitioners' counsel specifically identified the conflict as a basis for Dr. Polish's testimony *before* Dr. Polish took the witness stand. Tr. Apr. 10, 2006 morning sess., at 4:10-20 (p). Moreover, petitioners made the point again when it submitted an offer of proof to the district court before Dr. Storer testified, identifying and arguing against the inconsistencies between respondent's experts. *See* EchoStar's Offer of Proof Regarding Excluded Testimony of Dr. Nathaniel Polish, Ph.D (No. 2-04cv01 Apr. 10, 2006).

Merrell Dow Pharmaceuticals, Inc., 509 U.S. 579 (1993), which broadly dictates that expert testimony is admissible so long as it satisfies the Federal Rules of Evidence. Pet. 20-24 (discussing how the federal courts of appeals have disfavored categorical rules excluding expert testimony since *Daubert*).

As discussed above and in greater detail in the petition (Pet. 26-27), the excluded expert testimony unquestionably made a fact of consequence—*viz.*, the *fact* of infringement or the *fact* of invalidity—either more or less probable. *Daubert*, 509 U.S. at 587; Fed. R. Evid. 401. Petitioners' expert testimony would have demonstrated to the trier of fact that if the claims were applied to the prior art, as respondent's infringement expert Dr. Gibson applied them to petitioners' accused devices, then the '389 patent would be invalid, a question that the Seventh Amendment requires the jury to decide in a patent infringement action for damages (here, damages of $73 million were awarded). *Kemin Foods, L.C. v. Pigmentos Vegetales del Centro S.A. de C.V.*, 464 F.3d 1339, 1349 (Fed. Cir. 2006). *Daubert* requires no more for reliable expert testimony to be admissible.

Moreover, the ruling below contradicts one of the key rationales that undergird the Court's decision in *Daubert* to permit the greater introduction of expert testimony—that expert testimony (such as respondent's expert testimony) would be tested by "[v]igorous cross-examination" and the "presentation of contrary evidence." *Daubert*, 509 U.S. at 596. As such, even if respondent was somehow correct that

petitioners' expert testimony was not independently relevant to a factual issue in dispute, it was still admissible (and thus should not have been subject to a categorical rule of inadmissibility) to attack the credibility of respondent's experts. *Ibid.* Indeed, the credibility of the testimony of respondent's expert Dr. Gibson was critical to the court of appeals' resolution of the instant dispute. Pet. App. 40a-41a.

B. This Case Is An Excellent Vehicle To Address The Question Presented And There Was No Waiver

1. Unable to disprove the existence of a categorical rule in the Federal Circuit's ruling, respondent proffers an incorrect waiver argument.

Respondent is wrong that petitioners "never alleged" that they were prohibited from introducing evidence of respondent's contradictions with respect to the application of the claims as to infringement and validity. Br. in Opp. 3. Petitioners' brief before the Federal Circuit devoted an entire section to the issue, with a heading entitled: "EchoStar Is Also Entitled to a New Trial on Validity and Infringement Because of the District Court's Erroneous Refusal to Allow Dr. Polish to Show That the Claims Could Not Be Both Infringed and Valid." EchoStar C.A. Br. at 67.

Petitioners explicitly argued that their expert, Dr. Polish, was prohibited from introducing "relevant" evidence that would have explained "that the claims

of the '389 patent would be invalid if applied to the prior art in the same way TiVo applied them to EchoStar's DVRs," even though "the claims must be construed the same way for both infringement and validity." *Ibid.* (citing *Amazon.com*, 239 F.3d at 1351).[4] Indeed, it was in response to these very arguments that the Federal Circuit adopted its categorical rule that this Court should now review.[5]

2. This case presents an ideal vehicle for the Court to review the question presented. Respondent makes almost no effort to refute the clear prejudicial effect the ruling below had on the instant dispute. Respondent fails to dispute *any* of the inconsistencies that petitioners identified. Pet. 11-12. Nor can respondent show that the outcome would have been the same had the excluded testimony been admitted. Because respondent cannot refute the case-altering effect of the ruling below on the instant case resulting in a $73 million verdict and permanent injunction,

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[4] It is of no moment that petitioners' petition for rehearing did not focus upon the question presented. No rule of this Court requires a properly preserved argument to be raised on rehearing.

[5] Respondent implies that the question presented is waived because "EchoStar did not challenge the validity of any of TiVo's patent claims in the court of appeals." Br. in Opp. 4 n.2. Even putting aside the fact that petitioners clearly appealed the issue of infringement, that argument overlooks the relief requested. Because petitioners are entitled to a new trial due to the unlawful application of a categorical rule of exclusion of evidence, petitioners will be permitted to raise both infringement and invalidity on remand.

resolution of the question presented will require only an analysis of the legal rule adopted by the Federal Circuit and not a detailed examination of the technology at issue in the underlying dispute.

It is telling that respondent fails to counter the significant and unquestionable effect that the ruling below will have on patent litigation more broadly. As the petition and this case more generally demonstrate (Pet. 30-31), the Federal Circuit's patent-specific evidentiary rule lowers the bar for patent plaintiffs throughout the nation. Such plaintiffs can now present inconsistent testimony with respect to infringement and validity, and patent infringement defendants are foreclosed from identifying for the jury just how those inconsistencies affect the fact of infringement or invalidity, even though expert testimony is viewed as essential to avoid juror confusion in patent infringement actions. *Centricut, LLC v. Esab Group, Inc.*, 390 F.3d 1361, 1369-1370 (Fed. Cir. 2004), *cert. denied*, 546 U.S. 814 (2005).

Accordingly, this case presents a clear legal issue as to whether patent-holding plaintiffs can have their cake (a valid patent avoiding prior art) and eat it too (infringement recovery against technology that shares properties of that same prior art), and whether such a result runs counter to the century old axiom of patent law that "[a] patent may not, like a 'nose of wax,' be twisted one way to avoid anticipation and another to avoid infringement." *Amazon.com*, 239 F.3d at 1351 (quoting *Sterner Lighting, Inc. v. Allied*

Elec. Supply, Inc., 431 F.2d 539, 544 (5th Cir. 1970)); *White v. Dunbar*, 119 U.S. 47, 51 (1886).

C. Resolution Of The Question Presented Will Not Require This Court To Revisit Or Overrule *Markman v. Westview Instruments, Inc.*

1. As a last resort, respondent incorrectly argues that the excluded testimony of petitioners' expert Dr. Polish "had no place at trial" because *Markman* precluded introduction of the testimony. Br. in Opp. 8.

First, as the petition demonstrates (Pet. 29-30), *Markman* announced no evidentiary rule, and there is otherwise no constitutional provision, congressional enactment, or federal rule of evidence or procedure that would justify the exclusion of petitioners' expert testimony (as required by Rule 402 of the Federal Rules of Evidence).

Second, the introduction of the excluded testimony would not have undermined *Markman*. Although a trial court must construe patent claims, the fact-finder must apply the court's construction and determine whether the claims are infringed. Accordingly, consistent with *Markman*, two different finders of fact relying on the same claim construction can properly reach different conclusions regarding infringement when they apply the same properly construed claims to the accused device. *See Kemin Foods*, 464 F.3d at 1349 (after the court construed a claim limitation to require "significantly less than

10% of other carotenoids," the question of whether the concentration of "other carotenoids" in the accused products was low enough to infringe was properly left to the jury); *see also PPG Indus. v. Guardian Indus. Corp.*, 156 F.3d 1351, 1355 (Fed. Cir. 1998) (explaining that this possibility is "a necessary consequence of treating infringement as a question of fact" and it "does not mean that the claim was improperly construed as an initial matter").

2. The effect of this principle is evident from the decision below. Respondent's contention that its expert Dr. Gibson did not himself opine regarding the meaning of claim terms is not only beside the point, it is pure fiction. For example, the district court construed the phrase "transform object," but in doing so, it did not define the term "transform."[6] Dr. Gibson employed a different meaning of "transform" when he testified on petitioner's behalf that the claims were infringed than did petitioner's expert Dr. Storer when he testified that the claims were valid. *See* Pet. 11-12; *see also ibid.* (describing how "simultaneous storage and playback" was satisfied with respect to infringement because the accused devices record one

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[6] Respondent's suggestion (Br. in Opp. at 2 n.1) that unconstrued claim terms appeared only in hardware claims 1 and 32, upon which petitioners prevailed, is false. The term "transform object" appears in the patent's software claims on which the Federal Circuit ruled in respondent's favor. Pet. App. 30a-31a. More significantly, respondent overlooks the fact that petitioners' expert testimony would have directly undermined the credibility of respondent's expert. *Daubert*, 509 U.S. at 596.

program and play back a different program at the same time even though the prior art did just that). And petitioners' expert Dr. Polish was not permitted to point out that respondents were trying to benefit from a broad application of the patent claims for purposes of infringement and a narrow one for purposes of validity.[7]

3. In all events, the excluded expert testimony would have served the very principles that underlie

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[7] Respondent claims (Br. in Opp. at 6 n.4) that the district court allowed "much" of the evidence and argument that EchoStar claims was improperly excluded. But after presumably scouring through the entire record, respondent can identify only *one* reference to Dr. Gibson by Dr. Polish (Br. in Opp. at 6 n.4 (quoting Tr. Apr. 10, 2006 morning sess., at 15)), and that quote only identifies that Dr. Polish examined Dr. Gibson's analysis. It does not, because petitioners were prohibited from doing so in detail, say that Dr. Gibson's infringement analysis would lead the '389 patent to be invalid.

Moreover, the allowance of summary statements by counsel is no substitute for detailed testimony regarding specific claim limitations by a qualified expert; counsel statements are *not* evidence upon which the jury can rely. Threatened with sanctions by the district court (Tr. Apr. 10, 2006, morning sess., at 84:5-85:3), Dr. Polish largely abandoned his prepared testimony and graphics in order to avoid reference to Dr. Gibson's testimony. Further exploiting the district court's ruling, respondent's counsel stated in closing argument that Dr. Polish actually *agreed* with Dr. Gibson's analysis. Tr. Apr. 13, 2006, at 67:14-68:3. Because the district court did not allow Dr. Polish to explain that he was adopting Dr. Gibson's analysis solely to show that it rendered the claims invalid, respondent was allowed to tell the jury that Dr. Polish sided with respondent on the issue of infringement.

Markman. This Court cited "the importance of uniformity in the treatment of a given patent" as a reason to allocate the task of claim construction to the court rather than to juries. 517 U.S. at 390. Prohibiting expert testimony regarding another expert's interpretation of a patent's claims undermines this uniformity goal by making it easier for patent plaintiffs to wrongfully manipulate their patent one way for purposes of infringement and the other for purposes of validity. *Amazon.com*, 239 F.3d at 1351. If expert witnesses are restricted to referring to the court's construction alone, an accused infringer cannot defend against this tactic and the patentee's rights are improperly expanded.[8]

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[8] Respondent argues that petitioners' testimony "would have created a substantial danger of jury confusion." Br. in Opp. 11. But cross-examination and the introduction of counter expert testimony, not the wholesale exclusion of the challenged expert testimony, is the appropriate response to a concern of jury confusion. *See, e.g.*, *United States v. L.E. Cooke Co.*, 991 F.2d 336, 343 (6th Cir. 1993); *Wilmington v. J.I. Case Co.*, 793 F.2d 909, 920 (8th Cir. 1986).

CONCLUSION

For the reasons set forth above and in the petition for a writ of *certiorari*, the petition for a writ of *certiorari* should be granted.

Respectfully submitted,

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